



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

October 15, 2010

The Honorable Mary L. Landrieu
Chairwoman
Committee on Small Business and Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairwoman Landrieu:

Attached please find my responses to the additional post-hearing questions from my appearance before the Committee on April 27, 2010. Thank you again for the opportunity to testify on the National Broadband Plan before you and your colleagues on the Committee on Small Business and Entrepreneurship. I share your view that supporting small businesses and entrepreneurs must be a national priority of paramount importance. By arming small businesses with broadband and encouraging digital literacy, e-commerce, and online communications, we can help ensure that broadband fulfills its promise as a transformative tool for small businesses and America's economy. I look forward to working with you to implement the plan, and please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Genachowski", is written over the typed name. The signature is stylized with a large, sweeping "J" and a long horizontal stroke.

Julius Genachowski

**Post Hearing Questions for the Record
Submitted to Julius Genachowski
From Senator Mary L. Landrieu, Chair
U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand
Small Business Internet Access"*

April 27, 2010

- (1) The ability to access capital has long been a significant barrier to success for small businesses in every industry, including the communications industry. The current financial crisis has only further exacerbated this problem and today, it is more difficult than ever for small business to access capital
- In light of these conditions, how will the Federal Communications Commission (FCC) account for the inability of many small communications firms to access sufficient capital in its rulemaking processes, policy-making efforts, and its enforcement of construction deadlines for those few small businesses that won broadcast or wireless licenses at auction?

RESPONSE: With respect to wireless licenses won at auction, the Commission provides flexibility to meet construction deadlines over a period of several years. Construction periods vary depending on the spectrum band and geographic scope. For example, some licenses must be constructed in 10 years, while other licenses have interim deadlines for initial construction within 3 to 5 years. This approach normally provides sufficient time for licensees to make informed technology choices and financial arrangements. While the vast majority of licensees meet their construction requirements within the allotted period, the Commission nevertheless considers requests for waiver of the construction rules on a case by case basis.

- (2) The FCC has again missed its statutorily-mandated deadline for its submission of the Section 257 Report to Congress, regarding the elimination of market entry barriers for small businesses, as mandated by the Telecommunications Act of 1996.
- What is the status of this report? Why has it been delayed?

RESPONSE: The Section 257 Report has been submitted to the FCC's commissioners for review and approval. We anticipate that the commissioners will vote to approve the report soon.

- (3) How will the National Broadband Plan advance opportunities for small businesses, including women and minority-owned small businesses? Please be specific.

RESPONSE: Generally the National Broadband Plan contains a number of strong recommendations to advance opportunities for small businesses, including women and minority-owned small businesses. To improve availability of broadband infrastructure, particularly in rural areas, the Plan proposes a once in a generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. The Plan also lays out a strategy for unleashing additional spectrum for wireless broadband; enabling incentive auctions and market-based solutions for driving spectrum to its highest, best and most efficient use and promoting flexible and unlicensed spectrum use - such as the Commission's recent effort to free up white spaces for unlicensed use to unleash a host of new technologies such as "Super Wi-Fi" and other diverse applications. To bring more broadband choices to small businesses, and improve affordability, the Plan recommends taking steps to promote competition, including the development of an effective framework to ensure that small businesses benefit from robust, healthy competition in the marketplace. Specifically, the Plan includes the following recommendations:

- Recommendation 13.1 states that SBA resource partner programs should provide enhanced information technology applications training. Many small businesses may currently receive training for business planning, finance, application usage, and marketing – often through the Small Business Development Centers (SBDCs) or Women's Business Centers (WBCs). Such training may or may not include material on how to use broadband or online content. Training programs could include "Broadband 101" courses to give small businesses an introduction on how to capitalize on broadband connectivity, as well as more advanced applications for information technology staff.
- Recommendation 13.2 states that current federal programs to help small businesses – SBDCs, WBCs, Veterans Business Outreach Centers, and the Service Corps of Retired Executives (SCORE) - should use broadband and online services to "scale up" their services to reach more small businesses. In other words, these programs – all with limited resources – could do more with what they have by building an online network of information and expertise to reach more small businesses.
- Recommendation 13.3 states that the government should develop a public-private partnership to provide technology training for small disadvantaged businesses and small and medium enterprises (SMEs) in low income areas. The private firms – both communications providers and technology firms – could contribute "how to" expertise on digital literacy, e-commerce, and cybersecurity, while also lending technical and professional support for hardware, software, and business operations. Other contributions include licenses for business applications, website development and registration, and basic communications equipment such as computers and wireless routers.
- Recommendation 13.4 states that Congress should consider additional funding for the Economic Development Administration to bolster entrepreneurial development programs with broadband tools and training. Existing entrepreneurial development efforts focus on business plans, funding, market testing, and fostering connections with peer entrepreneurs. However, broadband applications are not always adequately integrated into core mandates of these efforts. This recommendation is

modeled after existing entrepreneurial efforts at the state level (e.g., Innovation Works in Pennsylvania and Innovate Illinois). This idea here is to develop pilots, each with a \$3 million annual budget, that fill gaps in broadband training and tools in areas not covered by an existing program. The pilots would have one-third federal funding, one-third state and local economic development agencies, and one-third private entrepreneurial support organizations.

Moreover, the FCC is working with Small Business Administration (SBA) today to broaden the reach of the effort by including more minority-owned small business organizations, like the Hispanic Chamber of Commerce. Finally, the consumer adoption recommendations, such as Digital Literacy Corps, Lifeline, and Linkup, will have the added benefit to minority-owned small businesses by providing them with access to broadband-skilled workers and customers.

(4) The National Broadband Plan recommends upgrading lead Small Business Development Centers (SBDCs) to provide advanced IT and broadband training. This would cost \$1 million annually, create 12 new Small Business Technology Development Centers (SBTDCs), and 180 sub-centers. The Plan also recommends that Congress provide additional funds to Women's Business Centers (WBCs) for a curriculum for women entrepreneurs on broadband applications.

- In light of current budget constraints on these two SBA programs, can you recommend alternative options that would better utilize existing funding authority towards broadband training?

RESPONSE: The National Broadband Plan's recommendation for a public/private partnership to expand broadband adoption by small businesses has been implemented with an innovative partnership between the FCC, the SBA, the SCORE Foundation and a number of corporate sponsors. The corporate sponsors have already committed to provide major funding to begin implementing the goals of the partnership such as expanding small business centers across the country and providing broadband training and support to small businesses. The private donations enhance and expand the capability and scope of the public partners' broadband outreach to small businesses. In the meantime, as specified in the Plan, we continue to work with SBA, NTIA and SCORE (the Service Corps of Retired Executives) as well as our private sector partners – AT&T, Best Buy, Cisco, Google, Hewlett Packer, Intuit, Microsoft and others – on the broadband consortium, launched in March of this year to train small and diverse businesses to maximize their utilization of broadband technology. Specifically, the consortium will provide digital literacy training, web skills training, and training on e-commerce capabilities and online communications tools usage. Thus far, our private sector partners have donated approximately \$1.125 million to this broadband training effort.

- (5) Many state and local governments, including some in Louisiana, have received funding through the American Recovery and Reinvestment Act (ARRA) to establish and provide municipal broadband services. While the Recovery Act model has been successful, it is controversial, particularly among businesses concerned about having to compete with local governments to provide these services. To help resolve these issues and facilitate future implementation of broadband access, the National Broadband Plan recommends that Congress make clear that Tribal, State, regional and local governments can build broadband networks.

- Please elaborate on this recommendation and explain under what circumstances municipal broadband would be appropriate.

RESPONSE: State, regional, local and Tribal governments play an important role in ensuring that broadband services are available in their communities, and the National Broadband Plan role envisions that these governments will be active and constructive partners in meeting the Plan's recommendations. For example, state, local and Tribal governments could work directly with the FCC and other federal agencies to lower the costs of rights-of-way and other infrastructure, and they could facilitate and aggregate demand between disparate community anchor institutions, such as hospitals, schools, libraries, and local government offices, which can drive down the risk (and resulting cost) of private broadband network investment. Even when such cost-lowering and demand aggregation steps have been taken, there may be areas in which a community may not see broadband investment. In those situations, state, regional and local governments should not be prohibited from taking more direct steps, either by investing directly in networks themselves or in facilitating its construction through consortia or other approaches.

- (6) The National Broadband Plan recommends that the General Services Administration (GSA) develop master contracts for Federal buildings to allow for the placement of wireless towers. When considering the significant Federal physical footprint in our communities – a local USDA or SBA office for example – I believe this idea has definite benefits for small businesses without broadband access.

- Will FCC commit to report back to my committee on potential hurdles or benefits of this recommendation?

RESPONSE: The FCC had an initial discussion with GSA about this recommendation. If we encounter hurdles with this recommendation, the FCC can certainly keep the Committee informed of those challenges.

- Will you also coordinate with local communities as your agencies build out your internal broadband networks in your field offices?

RESPONSE: The FCC would coordinate with local communities if we were to take steps in furtherance of this recommendation in our field offices. However, we have not moved in that direction at this time.

(7) Is the FCC on target to produce the National Broadband Map by February 17, 2011?

RESPONSE: The Recovery Act directed NTIA to develop and maintain a comprehensive nationwide inventory map that depicts the geographic extent to which broadband service capability is deployed and available from a commercial or public provider. Working with NTIA, the FCC has received the first round of data from the 53 awardees of the State Broadband Data Development program, totaling 15 million total records of data. The agency has integrated that data and developed a prototype map application and is on target to production the National Broadband Map by February 17, 2011.

(8) Recently, the FCC published the Broadband Action Agenda, which outlines the timeline by which the agency will address several rulemakings related to the National Broadband Plan that could potentially affect both small broadband providers and customers alike.

- When specifically will the Commission shift its focus to begin this important rulemaking process?

RESPONSE: The Commission is focusing on a myriad of both short-term and long-term policies and rulemakings that will benefit small businesses. Internally the Commission has created a Universal Service Working Group to provide the framework for collaboration between the bureaus and offices on the broadband universal service agenda. In addition the Commission is working closely with NTIA to identify spectrum that can be made available on a fast-track basis and the development of a plan to make spectrum available for wireless broadband over the next 10 years. In May the Commission adopted an order making 25 MHz of spectrum available for mobile broadband services. In addition, the Commission has proposed additional flexibility to provide another 90 MHz of spectrum for terrestrial wireless broadband service. Also, recently the Commission adopted an order that modernizes and upgrades the E-rate program to bring high-speed, affordable Internet access to schools and libraries.

**Post Hearing Questions for the Record
Submitted to Chairman Genachowski
From Senator Risch,
U.S. Senate Committee on Small Business and Entrepreneurship**

*"Connecting Main Street to the World: Federal Efforts to Expand
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April 27, 2010

1. How does the FCC plan to ensure competitive choice to small businesses?

RESPONSE: With a proper regulatory framework and suitable data necessary to implement that framework, we can better ensure that small businesses have sufficient competitive alternatives to meet their evolving needs. In response to the Plan's recommendations, we are undertaking a review of existing policies and development of just such a competitive framework. To improve availability of broadband infrastructure, particularly in rural areas, the Plan proposes a once in a generation transformation of the Universal Service Fund, shifting support from plain old telephone service to broadband communications. The goal is for every American consumer and business, large and small, whether they live in a rural town and urban city or in between, has access to high-speed broadband service. The Plan calls for reform and expansion of the Rural Health Care Program to help improve broadband access and usage for small health care providers and doctors around the country. To bring more broadband choices to small businesses, and improve affordability, the Plan recommends taking steps to promote competition, including the development of an effective framework to ensure that small businesses benefit from robust, healthy competition in the marketplace. To further expand broadband choices for small businesses, the Plan calls for removing barriers to municipal broadband networks, and increasing transparency about the speed of service to all broadband consumers, including small businesses.

2. The growing availability of broadband has made the Internet a vital part of our economy. It has allowed numerous small businesses in rural areas, many in my home state of Idaho, to reach customers worldwide. The Internet stands as a shining example of American ingenuity and success. So why would the FCC consider changing the rules of a game that we are winning by regulating the Internet under title II?

RESPONSE: Promoting continued investment and job creation, both in the core broadband networks and through Internet-based services and applications that ride on such networks, is a key priority for the FCC and a key focus of the National Broadband Plan. The private sector is the key to investment and job creation, but government policy can help facilitate those outcomes, including through recommendations of the National Broadband Plan to spur broadband deployment and adoption, such as USF reform. Telecommunications policy must take account of current market and technological realities.

After the National Broadband Plan was released, the United States Court of Appeals for the District of Columbia Circuit released its decision in *Comcast Corp. v. FCC*, 600 F.3d 642

(D.C. Cir. 2010). The *Comcast* decision casts serious doubt on whether the legal framework the Commission chose for broadband Internet services nearly a decade ago is adequate to achieve these core broadband policies, which prior Commissions thought they had legal authority to implement. To address this challenge, the Commission adopted a Notice of Inquiry at its June 17 Open Meeting to initiate a public discussion on how the Commission should proceed in light of *Comcast*. The Notice seeks comment on all options, and invites any ideas for how the Commission should proceed, including: maintaining the current "information service" classification of services such as cable modem and DSL Internet access; classifying broadband Internet connectivity service as a "telecommunications service" to which all the requirements of Title II of the Communications Act would apply; and the "third way" – similar to the successful approach that has been used for cell phone services since 1993. Under this approach the Commission would identify the Internet connectivity service that is offered as part of wired broadband Internet service as a telecommunications service and forbear from applying all provisions of Title II, other than the small number that are needed to implement fundamental universal service, competition and market entry, and consumer protection policies.

I welcome the process that Chairmen Rockefeller, Waxman, Kerry, and Boucher have announced to develop proposals updating the Communications Act. A limited update of the Communications Act could lock-in an effective broadband framework to promote investment and innovation, foster competition, and empower consumers. I have committed all available Commission resources to assisting Congress in its consideration of how to improve and clarify our communications laws. Meanwhile, in view of the court decision, and as the Congressional Chairs have requested, the Commission has an obligation to move forward with the public proceeding initiated by our Notice, which is complementary to Congress's own efforts.

Committee on Small Business and Entrepreneurship
Hearing on "Connecting Main Street to the World: Federal
Efforts to Expand Small Business Internet Access"
Senator Roger F. Wicker
Questions for the Record

Questions for Chariman Genachowski:

1. Last June I joined three of my colleagues in a letter to Acting Chairman Michael Copps regarding concerns over the use of exclusivity arrangements between commercial wireless carriers and handset manufacturers. Can you please provide an update of the status of any Commission action related to this issue?

RESPONSE: As you are aware, on May 20, 2008, the Rural Cellular Association filed a petition requesting that the Commission initiate a rulemaking proceeding examining "exclusivity arrangements between commercial wireless carriers and handset manufacturers." The Commission collected a record on the petition last year. In addition to assessing the record submitted, Commission staff are meeting with interested parties and are independently monitoring and evaluating the availability of handsets to consumers, and to smaller service providers, in the mobile wireless marketplace.

2. The National Broadband Plan includes numerous recommendations for reform to the Universal Service Fund, including the High Cost Program. How would these proposed changes impact services currently receiving support under the High-Cost Fund?

RESPONSE: Universal service resources are finite and contributions have grown significantly over the last decade. To keep the overall size of the universal service fund within baseline projections, the Commission will need to eliminate inefficient funding of legacy voice service and refocus universal service funding to directly support modern communications networks that will provide broadband as well as voice services. The National Broadband Plan recommends a 10 - year transition to ensure that service providers that rely on universal service to provide voice service to their communities can make the migration to broadband successfully. During this transition, the Plan recommends that the Commission establish a Connect America Fund to support broadband and a Mobility Fund to provide one - time support to consumers in states that significantly lag the national average for 3G service. During this same period, the Plan also recommends that the Commission reduce spending under the legacy high - cost support mechanisms and target the savings to the Connect America Fund and other recommendations in the National Broadband Plan. On April 21, 2010, the Commission adopted a notice of inquiry and notice of proposed rulemaking, which sought comment on: (1) moving rate - of - return companies to incentive regulation, (2) retargeting interstate access support to a new Connect America Fund, and (3) eliminating funding for competitive eligible telecommunications carriers over a five - year period. The Plan

recommends that by the end of the transition, the Commission eliminate the legacy high - cost support mechanisms and all support will be provided through the Connect America Fund.

- a. Will these proposals result in a rollback of service in currently supported areas in the future?

RESPONSE: No. The Plan recognized that certain areas may need ongoing public investment to sustain existing broadband (and voice) service. Funding broadband (and voice) service where it does not exist and sustaining broadband (and voice) service where it does are not mutually exclusive goals.

3. The National Broadband Plan makes proposals regarding broadcast spectrum. Do you envision the Plan's recommendations regarding channel sharing and spectrum fees as voluntary measures adopted by the broadcast industry?

RESPONSE: The plan under consideration for recovery of broadcast television spectrum would not require that any stations involuntarily share or otherwise yield their channels; any such actions would be voluntary on the part of station licensees. Both full service and low power stations (including translators) could be required to change channels or may seek to share channels.

Under the approach described in the National Broadband Plan, channel sharing would be a voluntary option for broadcasters to reduce their operating costs and provide a potential source of capital for investment into programming. If a broadcaster chose not to participate, their broadcast services would not change from what they are today.

The National Broadband Plan calls on Congress to grant the FCC and NTIA authority to impose spectrum fees, but only on spectrum that is not licensed for exclusive flexible use. From 2001-2008 the Bush Administration requested that Congress grant the FCC authority to impose spectrum fees.

- a. Do you plan to apply these requirements in both small and large markets?

RESPONSE: Our proposal recommends voluntary participation by broadcasters in all markets where demand for broadband spectrum exceeds what the FCC has in inventory, and our auction design plans currently do not contemplate different participation criteria for different sized markets. While the demand for broadband spectrum is likely to be higher in larger markets than in smaller markets, it is too early to predict how desirable voluntary participation in any particular market will be.